



ARIZONA STATE SENATE
Fifty-Fourth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1237

veterans; income tax subtraction; increase.

Purpose

Exempts uniformed service members' retired pension benefits from gross income calculation for Arizona state income tax purposes.

Background

For taxable years after 2018, \$3,500 of benefits, annuities and pension payments to retired or retained uniformed service members are not included when calculating the service members' Arizona adjusted gross income ([A.R.S. § 43-1022](#)). The remaining amount of benefits, annuities and pension payments are subject to be taxed at the regular Arizona income tax rate.

Members of the uniformed services include members of the U.S. Military, the U.S. Public Health Service Commissioned Corps and the National Oceanic and Atmospheric Administration Commissioned Officer Corps ([37 U.S.C. § 101](#)).

According to a Joint Legislative Budget Committee fiscal note on a similar measure from 2019, the anticipated fiscal impact of this legislation would be \$43,500,000 ([JLBC fiscal note](#)).

Provisions

1. Exempts, for taxable years from and after 2019, the full amount of benefits, annuities and pensions received as retired or retainer pay of the uniformed services of the United States from Arizona's adjusted gross income.
2. Makes technical changes.
3. Becomes effective on the general effective date, retroactive to taxable years beginning from and after December 31, 2019.

Prepared by Senate Research
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